

FLUID MINERALS BOND PROCESSING USER GUIDE

KeywordsXVIII. Default and Collection on BondsA. General

Default is generally defined in Black's Law Dictionary (5th Edition, 1979) as the omission or failure to perform a legal or contractual duty or to observe a promise or discharge an obligation, such as to pay interest or principal on a debt when due. On Federal oil and gas leases, default may take the forms of: (1) wells not being properly plugged and abandoned in accordance with the terms of the lease or regulations; (2) uncorrected damage to surface improvements, including failure to perform adequate restoration of the lease surface area; and/or (3) monetary balances due the U.S. under the terms of the lease, such as royalty on production or minimum royalty (including interest, penalties, and assessments due).

DEFAULT

Pursuant to 28 U.S.C. 2415, a six-year statute of limitations is established for every action for money damages brought by the United States, founded upon any contract. This six-year period commences when the right of action occurs. See Section XIX, below. Since an oil and gas lessee has the right to conduct operations until the instant a lease expires, final cleanup and abandonment can take place within a reasonable time after the lease expires. Accordingly, the six-year period will commence after a reasonable time has expired. Due to the difficulty in defining "reasonable time," all problems related to expired leases **must** be identified and solved as quickly as possible. All unapproved abandonment and reclamation operations must be inspected by the Field Office Fluid Mineral Operations as soon as possible after lease expiration, and lessees and operators must be promptly notified of any deficiencies. All work done must be inspected by the Field Office Operations personnel. In no case shall 6 years pass after lease expiration with no action taken by the BLM.

STATUTE OF
LIMITATIONS

When assessments for noncompliance or civil penalties are made and forwarded to the SO Accounts for processing under the Debt Collection Act, the SO Accounts must coordinate with the SO Adjudication to ensure that all available bond monies have been demanded in accordance with procedures in this User Guide prior to processing for debt collection under the Debt Collection Act (see Department of the Interior Manual 344).

DEBT COLLECTION
ACT PROCESSING

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If all attempts to collect under the bond fail, the entity will be considered in continuing noncompliance with Section 17(g) of the MLA and the regulations at 43 CFR 3102.5-1. In that case, the BLM Washington Office Fluids Groups (310) must be advised by a memorandum from the SO Fluid Leasing Adjudication of the continuing noncompliance of the entity. The entity will be placed on a noncompliance list and shall be not be allowed from obtaining any oil and gas leases (either through new issuance of by assignment/transfer) until the noncompliance is resolved to the satisfaction of the BLM.

Keywords

NONCOMPLIANCE/
DEFAULT THAT IS
UNRESOLVED -
ADDITION OF
ENTITY TO MLA
SECTION 17(g)
NONCOMPLIANCE
LIST

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B. Collection Based on Field Office Operations/SMA/
Surface Owner RequestKeywords

Upon default, the surety on a bond, or the obligor on a personal bond, must make payment to the United States of any indebtedness due under a lease. However, all available measures must be taken prior to collection on a bond. When a bond covers leases on National Forest System Lands, the Field Office Fluid Mineral Operations must initiate contact with the appropriate Forest Service and request identification of any defaults on lease performance.

DEFAULT ON
OBLIGATION

Responsible

Official	Step	Action	Keywords
Field Office Operations	1.	Provide written orders to the lessee and operator, with a copy also sent to the surety or obligor, requiring the necessary work to be performed.	FIELD OFFICE OPERATIONS ISSUES ORDER ON DEFAULT AND RECLAMATION REQUIREMENTS
	2.	Such orders must specify:	
	2a	The exact work required to be performed;	
	2b.	The time allowed to commence the work; and	
	2c.	That failure to perform will result in eventual attachment of the bond.	
	3.	Send the orders by certified mail to the operator, all lessees, any other principals and the surety or obligor with a copy to the SO Fluid Leasing Adjudication (see Illustration 64).	
Adjudication	4.	Since the BLM is also the responsible agency for demanding performance on a bond for any royalty liability, contact the MMS Bond Coordinator to verify the total amount that the lessee/operator owes for unpaid or underpaid royalty, including interest, penalties, and assessments owed to the MMS. This amount owed must be consolidated with the amount owed to the BLM/SMA for proper plugging and abandonment, including the restoration of the surface of the leased lands.	

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Responsible Official	Step	Action	Keywords
	5.	When all attempts to collect under the bond fail, the entity is considered in continuing noncompliance with the MLA Section 17(g) and the regulations at 43 CFR 3102.5-1(f). Notify the Washington Office Fluids Group (WO 310) with a memorandum identifying the efforts and dates of notification of noncompliance, also identifying all affiliates and subsidiaries of the entity, including the names of all officers of the entity.	
Field Office Operations	6.	If neither the lessee nor operator commence or complete the required work after any appropriate further discussion and/or correspondence, prepare a certified letter to the surety or obligor, with copies sent to the lessees, operator, and the SO Fluid Leasing Adjudication.	SURETY CONTRACT OF WORK REQUIRED
		The letter must require that either	
	7a.	The lessee or operator commence the specified work within 60 days (or such other reasonable period of time, based on the seasonal factors involved) and continue the work diligently to completion; OR	
	7b.	The surety directly enter into a contract such that the specified work will commence within 60 days (or such other reasonable period of time) and continue diligently to completion, with the contractor directly billing the surety for the work done; OR	CONTRACTOR BILLS SURETY DIRECTLY

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Responsible Official	Step	Action	Keywords
	7c.	<p>The surety authorize in writing within 60 days for the BLM to act as the surety's agent to contract and oversee the performance of the specified work, with the contractor directly billing the surety for payment. In this case, the surety must pay the U.S. (BLM) an additional 25 percent of the payment amount to compensate the U.S. for administrative costs for the contract, as specified in 43 CFR 3163.1(a)(4), with the total costs incurred not to exceed the bond face amount (see Illustration 65). The administrative fee is assessed at 25 percent of the actual cost of the required reclamation. This fee is charged only when the BLM is forced to contract to have the work completed.</p>	<p>ADMINISTRATIVE FEE CHARGED IN ACCORDANCE WITH 43 CFR 3163.1(a)(4)</p>
	<u>NOTE:</u>	<p>The first two options are BLM's preferred approaches. The third option is only be used as a last alternative since it places a greater administrative burden on the Field Office Fluid Mineral Operations staff. The work performance costs are to be based on, preferably, three or more estimates by contractors with expertise for the type of work required. Under the third option, the payment to the contractor by the surety will probably be limited to the face amount of the bond. When the costs exceed the amount of the bond, the principal must make full payment of that amount which is in excess of the face amount of the bond (see 43 CFR 3104.7(b)). This amount in excess of the bond does not constitute a demand on the bond; it leaves the total bond amount available.</p>	

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Responsible Official	Step	Action	Keywords
	8.	Indicate specifically in the certified letter sent to the operator, lessee and surety that if none of the above occurs within the time specified, the BLM will taken action to attach the bond for the specified amount in accordance with instructions in Section XVIII.C, below, which will represent the cost to the U.S. of performing the work, plus an additional 25 percent to compensate the U.S. for administrative costs.	

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C. Procedures for Collection on Surety Bond Based on BLM/SMA/Surface Owner RequestKeywords

If neither the surety, lessee, or operator perform any of the steps addressed in Section XVIII.B, above, within the time specified, the following actions are to be taken to attach a surety bond.

COLLECTION ON
SURETY BOND
BASED ON
BLM REQUEST

Responsible Official	Step	Action	Keywords
Field Office Operations	1.	The Field Office Fluid Mineral Operations personnel must perform the following steps:	
	1a.	Coordinate with the SO Procurement/Contracts personnel to obtain three or more estimates from contractors with expertise for the type of work required. A requisition must be prepared to contract with the low bidder, but actual work performance cannot begin under the contract until the monies are received from the surety (see Illustration 66).	PROCURE CONTRACT FOR PLUGGING AND RECLAMATION WORK
	1b.	Prepare a default report to the SO Fluid Leasing Adjudication describing the failure of the operator, lessee, and surety to perform the specific actions required. Include copies of all previous correspondence sent to and received from these entities. Recommend that action be taken by Adjudication to attach the bond in a specific amount, not to exceed the face amount of the bond. Include a copy of the requisition prepared in the Field Office.	DEFAULT REPORT PREPARED
Receiving Official	2.	Receive the default report from the Field Office or SMA. Date/Time stamp and forward to Adjudication.	
ABSS Entry ALMRS Entry	3.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	3a.	Enter Action Date: Date default determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action Remarks: Type of default and amount.	

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Responsible Official	Step	Action	Keywords
Adjudication	4.	Identify the lessee and all the leases involved using the ALMRS Proprietor's Report.	
	5.	In the case of a demand on a statewide or nationwide bond, notify all of the appropriate offices (the Field Office Operations for a statewide bond, and the Field Office Operations and all State Offices for a nationwide bond) by a memorandum and the ABSS Bulletin Board to conduct a review and report any liabilities that might exist for the principal (see Illustration 67).	
	6.	Check the MMS Delinquent Lease Accounts biweekly listing for leases covered by the bond for which royalties, interest, penalties, and assessments may be due under the subject bond.	
	7.	When a response from the appropriate Field Offices and State Offices is received, prepare a decision to the principal and surety demanding payment under the bond for default (see Illustration 68). The decision is to include:	DEMAND PAYMENT DECISION
	7a	Nature of the default;	NATURE AND DOCUMENTATION OF DEFAULT
	7b.	Documentation that all BLM and MMS attempts have been made under formal procedures to require the default be corrected.	
	7c.	The amount to be collected under the bond, not to exceed the face value of the bond, with justification to support the amount to be collected.	
	7d	Specific period of time allowed for the surety to make the payment requested.	TIME ALLOWED FOR SURETY PAYMENT

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Responsible Official	Step	Action	Keywords
	7e.	Statement that failure to make the payment may result in the BLM recommending to the Department of the Treasury to remove the surety from the Federal Treasury list of certified, acceptable sureties and/or the BLM initiation of lease cancellation proceedings and/or judicial proceedings to secure payment.	
	8.	After the decision is signed, send by certified mail to the surety and principal, and to the lessee/operator if different than the principal, with a copy to the MMS-DMD.	
	9.	Route for ABSS Entry.	
ABSS Entry ALMRS Entry	10.	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452; and	AUTOMATED NOTATION
	10b.	Enter Action Date: Future action suspense due date when payment requested from surety is due; DE 2960/2910 Action Code 247.	
Adjudication	11.	If payment for the default is not made: If surety fails or refuses to make default payment under bond, prepare letter to the Department of the Treasury, Surety Bond Branch, 401 14th Street, S.W., Washington, D.C. 20027, advising that the surety has failed or refused to render a payment under the bond and request the Treasury Department to take the necessary action to decertify the surety (see Illustration 69).	DECERTIFICATION OF SURETY REQUEST TO TREASURY DEPARTMENT

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Responsible Official	Step	Action	Keywords
	11b.	Prepare a decision to the principal and surety advising them that judicial action is being initiated due to the nonpayment, i.e., default under the bond (see Illustration 70).	PAYMENT NOT MADE BY SURETY
		Prepare a memorandum to the appropriate Solicitor for the judicial action to be taken against the surety, providing all the required background information (see Illustration 71)	REFER DEFAULT CASE TO SOLICITOR
	12.	If payment for the total obligation is made by the surety:	
		Deposit the monies to the State Office's suspense account (14X5017), and prepare a Cash Receipt Document (Form 1372-4) to transfer the funds from the suspense account to the subactivity specified on the requisition (see Illustration 72) The contractor may now be awarded the contract and begin the required reclamation work (see Illustration 73). When the work is completed, the contractor is required to submit an invoice for payment to the BLM Field Office Fluid Mineral Operations. The Field Office Operations must then make payment from the transferred bond proceeds. If the actual costs incurred are less than the estimated costs, the difference is to be held (but any amount of the difference that is greater than the 25 percent required to cover the administrative fee is to be refunded by the SO Fluid Leasing Adjudication to the surety).	PAYMENT MADE BY SURETY

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Contracts exceeding a certain amount may have to be handled by the SO Procurement/Contracts personnel. Therefore, close coordination among the Field Office Fluid Mineral Operations staff and the contracting personnel with the SO's Fluid Leasing Adjudication and contracting personnel is essential. An important factor in a bond payment situation is that BLM is dealing with the proceeds from the bond rather than with direct BLM funds, per se.</p>	
	12b.	When the payment is made by a surety to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount to either be totally used or to drop below the minimum amount required by the regulations.	DEFAULT REMEDIED
	12c.	When the payment is made, issue a decision acknowledging receipt of the surety payment and require the principal to restore the face amount of the bond back to the minimum amount required by the regulations or to an increased amount above the minimum regulatory amount as may be specified by the Field Office Operations in accordance with 43 CFR 3104.5. Alternatively, the principal may be requested to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation of lease cancellation proceedings.	RESTORE BOND TO REQUIRED FULL AMOUNT

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Responsible Official	Step	Action	Keywords
	13.	If the payment is made by a surety from a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must be notified promptly by a copy of the decision that payment has been made by the surety under the bond. Such a message should also be issued on the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	14	If it is determined that bond coverage is no longer required, the period of liability may be terminated. Otherwise, the full amount of the bond must be restored.	
ABSS Entry ALMRS Entry	15.	If the payment is made in full by the surety, enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	15a.	Enter Action Date: Date default is corrected; DE 2960 Action Code 485/DE 2910 Action Code 453. Action Remarks: Indicate "PARTIAL" if only partial payments of default is made.	
	15b.	Enter Action Date: Date default payment is received from surety or obligor/principal; DE 2960/2910 Action Code 486; Action Remarks: Amount of payment received.	
	15c	Enter Action Date: Date of notification that bond adjustment is required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and that bond must be increased to full amount required or a higher amount. Enter Action Date: Future action suspense date when restoration of bond to required amount is due; DE 2960/2910 Action Code 247; Action Remarks: Restoration of bond to full face amount required.	

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Responsible Official	Step	Action	Keywords
Adjudication	16.	If the bond is restored to the face amount, prepare a notice acknowledging the bond restoration.	
ABSS Entry ALMRS Entry	17.	Enter Action Date: Date bond adjustment is received; DE 2960 Action Code 464/DE 2910 Action Code 478; Action Remarks: Effective date (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	18	If payment by the surety/obligor is less than the total obligation and the principal refuses to pay the remaining obligation, provide a new bond, or to restore the original bond:	
	18a.	Prepare a decision to the responsible party (lessee, operating rights owner, operator) advising that judicial action to cancel the lease is being initiated due to default and failure to make payments required under the bond (see Illustration 75).	FULL PAYMENT NOT MADE BY SURETY - REMAINING BALANCE DUE
	18b.	Prepare a memorandum to the appropriate Solicitor for the necessary judicial action providing all the required background information (see Illustration 76).	REFER DEFAULT CASE TO SOLICITOR
	18c.	Notify the appropriate Field and State Offices that all bond monies have been collected but are insufficient to cover the total reclamation costs. The Field Offices may then pursue alternative funding sources.	
	19.	To deposit the partial payment received, see Step XVIII.C.12, above.	

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D. Procedures for Collection on Personal Bond Based on BLM/SMA/Surface Owner RequestKeywords

If neither the obligor, lessee, or operator perform any of the steps addressed above within the time specified, the following actions are to be taken to attach a personal bond.

COLLECTION ON
PERSONAL BOND
BASED ON BLM
REQUEST

Responsible

Official Step Action

Keywords

Field Office
Operations

1. The Field Office Fluid Mineral Operations personnel must perform the following steps:

- 1a Coordinate with the SO Procurement/Contracts personnel to obtain three or more estimates from contractors with expertise for the type of work required. A requisition must be prepared to contract with the low bidder, with actual work under the contract normally begun immediately since the personal bond monies must be easily accessible to BLM (see Illustration 66).

PROCURE CONTRACT
FOR PLUGGING AND
RECLAMATION WORK

- 1b. Prepare a default report to the SO Fluid Leasing Adjudication describing the failure of the operator and lessee to perform the work required. Include copies of all previous correspondence sent to and received from the entities. Recommend that action be taken by the SO Adjudication to collect on the obligor's personal bond. Include a copy of the Field Office requisition.

DEFAULT REPORT
PREPARED

Receiving
Official

- 2 Receive default report. Date/time stamp and forward to Adjudication.

ABSS Entry
ALMRS Entry

3. Enter into the ABSS and, if an individual bond, in Case Recordation.

AUTOMATED
NOTATION

- 3a. Enter Action Date: Date default determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action Remarks: Type of default and amount of default.

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Responsible Official	Step	Action	Keywords
Adjudication	4.	If a statewide or nationwide personal bond, identify the lessee and all the leases involved using the ALMRS Proprietor's Report.	
	5.	In the case of a demand on a statewide or nationwide bond, notify all of the appropriate offices (the Field Office Operations for a statewide bond, and the Field Office Operations and all State Offices for a nationwide bond) by a memorandum and the ABSS Bulletin Board to conduct a review and report any liabilities that might exist for the principal (see Illustration 67).	
	6	Check the MMS Delinquent Lease Accounts biweekly listing for leases covered by the bond for which royalties, interest, penalties, and assessments may be due.	
	7.	When all responses are received, prepare a decision to the obligor advising of the appropriation of the personal bond for default (see Illustration 77). The decision is to include:	DEMAND PAYMENT DECISION
	7a.	Nature of the default;	NATURE AND DOCUMENTATION OF DEFAULT
	7b.	Documentation that all BLM and MMS attempts have been made under formal procedures to require the default be corrected.	
	7c.	The amount to be collected under the bond, not to exceed the face value of the bond, with justification to support the amount to be collected.	
	7d.	To whom the contract for work performance is awarded, and the date when the restoration work is to be completed.	TIME ALLOWED FOR OBLIGOR PAYMENT

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Responsible Official	Step	Action	Keywords
	8.	If the bond is a book-entry deposit of a Treasury security, notify the BLM Negotiable Securities Custodian (BC-610) by memorandum of the nature of the default, and request that the Treasury security be sold to obtain the funds needed to cover the default. The Negotiable Securities Custodian will withdraw the security from the Circular 154 Account Number 11 and transfer it to the State Office's suspense account.	COLLECTION OF TREASURY SECURITY
	9.	If the bond is backed by a LOC, CD, or other type of personal bond, prepare a draft for payment and enclose the original security, a copy of the executed bond form (containing the power of attorney), and the payment draft with the decision. Modify Illustrations 20 and 21, as appropriate. Upon receipt, the proceeds must be deposited into the SO's suspense account and are to be transferred by Cash Receipt Document (Form 1372-4) (see Illustration 72) to the Field Office's subactivity from which the contractor is to be paid.	
	10.	After the decision in Step XVIII.D.7, above, is signed, send by certified mail to the obligor, lessee, and operator, with a copy to the MMS-DMD if royalty liabilities also are involved. Route for ABSS and ALMRS Entry.	
ABSS Entry ALMRS Entry	11.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	11a.	Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452.	
	11b.	Enter Action Date: Future action suspense date when payment of default is due; DE 2960/2910 Action Code 247.	

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Responsible Official	Step	Action	Keywords
Adjudication	12.	When payment is made by the obligor to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount to either be totally used or drop below the minimum amount required by the regulations.	RESTORE BOND TO REQUIRED FULL AMOUNT
	13.	When payment is made, issue a decision acknowledging receipt of the payment and requiring the obligor to restore the face amount of the bond back to the minimum amount required by the regulations or such increased amount as may be specified by the Field Office Fluid Mineral Operations in accordance with 43 CFR 3104.5. Alternatively, the obligor may be requested to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation of lease cancellation proceedings.	DEFAULT REMEDIED
	14.	If the payment is made by an obligor on a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must promptly be notified by a copy of the decision that payment under the bond has been made by the obligor. Such a message should also be sent using the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	15.	If it is determined that bond coverage is no longer required, the period of liability may be terminated, otherwise the full bond amount, or an increased bond amount, must be restored.	
	16.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
ABSS Entry ALMRS Entry	16a.	Enter Action Date: Date default corrected; DE 2960 Action Code 485/DE 2910 Action Code 453.	

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Responsible Official	Step	Action	Keywords
	16b.	Enter Action Date: Date of notification of bond adjustment required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and that bond must be restored to full amount required by regulations.	
	16c.	Enter Action Date: Future action suspense date when restoration of bond to required amount is due; DE 2960/2910 Action Code 247; Action Remarks: Restoration of bond to full face amount required.	
Adjudication	17.	If bond is restored to face amount, prepare a notice acknowledging the bond restoration.	BOND RESTORATION NOTICE ISSUED
ABSS Entry ALMRS Entry	18.	Enter Action Date: Date bond adjustment is received by BLM; DE 2960 Action Code 464/2910 Action Code 478; Action Remarks: Effective date (MM/DD/YYYY).	AUTOMATED NOTATION
Adjudication	19.	If proceeds received from collection on personal bond are less than the total obligation:	
	19a.	Prepare a decision to the obligor and all responsible parties (lessee, operating rights owner, operator) advising that judicial action to cancel the lease is being initiated due to the nonpayment of the obligation.	REMAINING BALANCE DUE
	19b.	Notify the Field Office Fluid Mineral Operations staff that all the bond monies have been collected but are insufficient to cover the total plugging and abandonment and reclamation.	
ABSS Entry ALMRS Entry	20.	Enter into the ABSS and in Case Recordation:	

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Responsible Official	Step	Action	Keywords
	20a.	Enter Action Date: Date case is sent to Solicitor's Office for litigation action; DE 2960 Action Code 960; DE 2910 Action Code 042; Action Remarks: SOL; General Remarks: Pending judicial action on bond demand/lease cancellation.	AUTOMATED NOTATION
	20b	Enter Action Date: Date litigation is filed; DE 2960 Action Code 736; DE 2910 Action Code 148; Action Remarks: Nonpayment on default.	

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E. Collection Based on MMS Request

Upon receipt of a request from the MMS that a payor (lessee, operating rights owner, operator, or other party making royalty payments due the United States) is in default of royalty obligations, the following actions are to be taken to protect the interests of the United States.

When it is necessary to make a demand on a bond for a default of lease obligations, whether the default is a royalty liability, a failure to properly plug and abandon a well, damage to surface improvements, or failure to reclaim the surface area, the **BLM is the responsible agency for demanding payment on a bond.**

It is important that in cases where **both** the BLM and the MMS have concurrent defaults to collect on the same bond, the **BLM shall have priority of collection of the bond proceeds when the total amount of the default exceeds the bond amount, with any remaining monies going to the MMS for the royalty** (including interest, penalties, and assessments for royalty liabilities). When a demand on a bond involves a lease the surface of which is administered by the Forest Service, a default by a lessee, operating rights owner, or operator that involves environmental concerns shall be given priority over a royalty liability (see Appendix 21).

Keywords

BOND COLLECTION
BASED ON
MMS REQUEST

BLM IS
RESPONSIBLE
AGENCY TO DEMAND
PAYMENT ON BOND
FOR RECLAMATION
AND ROYALTY

BLM RECLAMATION
HAS PRIORITY OVER
ROYALTY LIABILITY
DEFAULT ON BOND
COLLECTION BY
DEPARTMENT POLICY

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F. Procedures for Collection Based on MMS Request

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive default report from the MMS; date/time stamp and forward to Adjudication.	
Adjudication	2	Check that the MMS request clearly describes the nature of the default, the efforts made by the MMS to have the default corrected by the principal and/or surety, and provides the total amount of monies owed to the MMS (royalty, interest, penalties, and assessments).	DEFAULT REPORT RECEIVED FROM MMS
	3.	Identify lessee/leases involved using the ALMRS Proprietor's Report. If the total amount due on a given lease is less than \$100, send a memorandum to the MMS to write off collection of that item (see Illustration 78).	WRITE-OFF THRESHOLD
	4.	Contact the appropriate offices (State Offices, Field Office Operations) by a memorandum requesting a review and report of any liabilities that exist for the principal/obligor (see Illustration 79).	FIELD OFFICE/ OTHER STATE OFFICE REPORTS OF LIABILITIES REQUESTED
Field Office Operations	5	If the surface of the lease is administered by the Forest Service, the Field Office Fluid Mineral Operations staff is responsible for contacting the Forest Service to request the determination of the amount of monies owed for reclamation on the Forest Service surface.	
ABSS Entry ALMRS Entry	6.	Enter into the ABSS and, if an individual bond, in Case Recordation.	AUTOMATED NOTATION
	6a.	Enter Action Date: Date the royalty default for MMS was determined; DE 2960 Action Code 483/DE 2910 Action Code 451; Action remarks: Reason ("RLTY")	

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Responsible Official	Step	Action	Keywords
Adjudication	7.	Issue a decision to the obligor or to the principal and surety calling for payment within a specific period of time (see Illustration 80).	DEMAND COMPLIANCE DECISION
	8.	The decision is to include:	
	8a.	Nature of the default	
	8b.	Corrective action required, including both the amount of royalties (including interest, penalties, and assessments) due and the estimated reclamation costs (as necessary), not to exceed the face value of the bond;	
	8c.	A statement that judicial proceedings may be initiated if the demand is not complied with;	
		Both the royalty monies and the reclamation costs are to be paid to the BLM in some form of guaranteed remittance.	ROYALTY PAYMENTS DUE
	9.	After the decision is signed, send by certified mail to the surety and principal/obligor, with a copy to the MMS-DMD. Route for ABSS Entry.	
ABSS Entry ALMRS Entry	10.	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of notification of default correction request; DE 2960 Action Code 484/DE 2910 Action Code 452. Enter Action Date: Future action suspense date when payment of default is due; DE 2960/2910 Action Code 247.	AUTOMATED NOTATION
Adjudication	11.	When payment is received, complete accounting advice for reclamation and royalty monies received (see Illustrations 81 and 82).	ACCOUNTING ADVICE PREPARED WHEN MONIES RECEIVED

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> The BLM must provide same-day confirmation receipt to the MMS by fax or overnight mail when the payment is received by the BLM. The MMS royalty portion of the monies must be transferred to the BLM Business Center by the Online Payment Accounting Collection (OPAC), Form 1372-5, so that the MMS Royalty Management Program (RMP) can access the data within 5 working days of receipt of the payment. The confirmation must be sufficiently detailed so the RMP can identify the payment (see Illustration 83). Receipt in BLM of the monies owed stops the accrual of interest for the amount paid. Receipt of full payment to the BLM stops the accrual of penalties.</p>	<p>PAYMENT CONFIRMATION REPORT TO MMS ON DATE MONIES RECEIVED</p>
Accounts	12.	Transfer the funds to the MMS by the OPAC Form 1372-5, and notify the MMS of receipt of the payment (see Illustration 84).	OPAC TRANSFER
Adjudication	13.	When the payment is made by a surety to the BLM, the face amount of the bond is reduced by the amount paid, causing the bond amount either to be totally used or drop below the minimum amount required by the regulations.	RESTORE BOND TO REQUIRED FULL AMOUNT
	14.	When the payment is made, issue a decision acknowledging receipt of the payment and requiring the principal/obligor to restore the face amount of the bond back to the minimum amount required by the regulations or such increased amount as specified by the Field Office Fluid Mineral Operations in accordance with 43 CFR 3104.5. Alternatively, request the principal/obligor to furnish new bond coverage (see Illustration 74). Failure to do so may result in initiation by the BLM of lease cancellation proceedings.	DEFAULT REMEDIED

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Responsible Official	Step	Action	Keywords
	15.	If the payment is made by a surety from a statewide or nationwide bond that may be applicable to obligations on leases under the jurisdiction of another State Office, the appropriate State Office(s) must promptly be notified by copy of the decision that payment under the bond has been made by the surety. Such a message should also be sent on the ABSS Bulletin Board.	NOTIFY OTHER OFFICES OF PAYMENT MADE
	16.	If it is determined that the bond coverage is no longer required, the period of liability may be terminated. Otherwise, the full bond amount must be restored (or the bond increased in face amount).	
ABSS Entry ALMRS Entry	17	Enter into the ABSS and, if an individual bond, in Case Recordation. Enter Action Date: Date of notification of bond adjustment required; DE 2960/2910 Action Code 477; Action Remarks: Enter amount and whether bond is increased. If the payment is made by the principal/obligor - Enter Action Date: Date the default is corrected; DE 2960 Action Code 485/DE 2910 Action Code 453; Action Remarks: Amount of required payment received, and if only partial payment made.	AUTOMATED NOTATION
	17c	If the payment is made by the surety, also enter - Enter Action Date: Date the default is paid by the surety; DE 2960/2910 Action Code 486; Action Remarks (Case Recordation): Payment amount.	